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BUSINESS JUDGMENT AND THE BUSINESS CURRICULUM

I

In a recent magazine article by a prominent banker¹ occur these words:

The business man with no outside interest gives his day, and often most of his night, to his work. Whatever his shortcomings, he excels through his persistency, and in "infinite capacity for taking pains." But even these qualities avail him little unless they be based upon another attribute, quite definite, but hard to define exactly, which may be called business acumen. It is the subtle sense for making five dollars grow where only one dollar grew before, the *flair* for success, the downright ability which either a man has or has not. Not even a Business School can teach it. Only the school of experience can bring it out if it exists.

The conception that business acumen is an indefinable, intangible something, outside the realm of educability, is widely held. Nevertheless, psychologists have long insisted that intellectual insight and ability, whether in business or in anything else, are the products of perfectly definite causes, in part hereditary, but in part acquired, and hence, presumably, susceptible in some degree to discipline. Educators have long prescribed practical methods for training reasoning ability in school. There would seem, therefore, to be no good reason why schools of business administration should not definitely avow as one primary aim the cultivation of ability to make sound business judgments, even granting that it may require actual business experience to develop that ability to its maximum degree.

II

There can be no doubt that, as the foregoing quotation implies, native capacity is a vital factor in business acumen. The sort of brain stuff with which one is endowed at birth, and

¹ Guy Emerson, "Success in Life and Success in Living," *Independent*, April 1, 1922.

presumably other kinds of native anatomical and physiological endowment as well, determine in advance the possible limit to effective training and experience. Many investigations have demonstrated a marked correlation between what, for want of a better name, we term "general intelligence" (generally regarded as primarily hereditary) and executive ability. The same factor of native capacity is doubtless at the root of the surprisingly high correlation we know to exist between high scholarship and vocational success.

Just how much the hereditary factor counts, no one can say with certainty. But we may be very sure that few people ever use more than a minor fraction of their inherited potentialities. We cannot afford to overlook the fundamental fact that high native capacity never gets one anywhere—never even gets itself discovered—until it has been developed and has taken form and content through experience in a social environment. The educational system is primarily a special social environment designed to provide stimuli of varied sorts for exercising native capacities into actual abilities. Our question may then be stated as follows: What, specifically, can a school of business administration do toward training business judgment?

Business judgment differs from judgment in other fields only in the materials with which it is concerned—business problems and business facts—and in certain minor details consequent upon the peculiar nature of those materials. In its psychological mechanisms it is not fundamentally unlike scientific method, or legal reasoning, or reflective thinking in any other field; although the frequent short-circuiting or condensing of the process, made possible through long practice and thorough familiarity with a definite field, into what has sometimes been called "practical judgment," often obscures some of the component factors. Judgment, or reasoning, or reflective thinking (which terms, for our purposes, we may regard as synonymous) may be described as essentially a complicated kind of behavior by means of which the individual adjusts himself to new problems presented by an ever changing physical and social environment; problems which the ready-made adjustment mechanisms of instinct, habit, and memory are incapable of solving. Reasoning is made possible

by the reorganization and re-utilization of the elements of previous experience in new forms. It is no unique operation; it involves the same mechanisms of associative recall and discrimination as the simpler operations of perception, habit, and memory, although on a somewhat more elaborate scale, and is ordinarily marked by greater hesitancy and conscious purposiveness. The mental content in which these mechanisms find embodiment varies with the nature of the materials and the habits of the individual thinker. It may take the form of vocal or silent speech symbols, mental imagery of various sorts (visual, auditory, or motor, verbal, or concrete), or incipient—or even overt—gestures, impulses, and attitudes, although the modern psychologist is inclined to regard their precise character as of less significance than the use made of them.

Reasoning activities vary widely, of course, in scope and complexity. An “act of business judgment” may denote anything from an instantaneous sizing-up of and acting on a relatively simple situation, to the involved investigations and prolonged deliberation leading up to a momentous business decision or the adoption of far-reaching business policies. Sometimes the basic data of the judgment are definite and complete; sometimes so obscure that a judgment is almost a leap in the dark, and even the shrewd executive cannot put his finger on the specific factors which determine his decision. But in all such acts we find, explicit or implicit, common factors and operations. Seldom is it possible to trace these as temporally distinct and successive stages, so varied are the modes in which they may be subordinated, merged, reversed, and repeated. Nevertheless, we may conveniently take as a point of departure for our search for ways of training judgment five stages or elements, corresponding in the main to those “steps” which Dewey¹ has made familiar to students of education.

1. A felt difficulty
2. Its location and definition
3. Suggestion of possible solutions
4. Their elaboration and evaluation
5. Belief, decision, action

¹ John Dewey, *How We Think*, chapter vi, Boston, 1910.

III

Let us examine these factors in greater detail, to ascertain what suggestions they may afford for our problem of training.

1. *A felt difficulty.*—The indispensable precondition of all thinking is something to think about, a problem too complex or too novel to yield to such simpler and less burdensome methods of attack as instincts, habit, or memory. It may be either an intellectual or a practical difficulty, present or anticipated. Such a predicament serves as the stimulus for thinking, and determines the direction thought shall take. “Use your head! *Think* about it!” is the most futile—yet by no means the most infrequent—advice a teacher ever gives a stupid pupil who can see no problem about which to think—other than the eminently practical problem of getting the teacher to “lay off him.” Recognition of this fact has led to the increasing vogue of the “project-method” or “problem-method” or “case-method” of organizing educational procedure.

The business man’s problem may perhaps assume the form of an emergency demanding action, but no action suggesting itself; or a suggestion of doubtful merit may come to mind; or two or more possible courses of action may suggest themselves, necessitating deliberation and choice. If, as often happens, the problem makes its first appearance in very definite form, the second and perhaps the third of the stages enumerated may be omitted—or rather, condensed into the first, in the way previously mentioned. The task then becomes one of weighing and evaluating these suggestions. But sometimes the situation is so involved in character that its key is not apparent, and the second step mentioned, that of defining the problem and locating the difficulty, becomes the immediate task.

2. *Defining the problem.*—This is essentially a matter of analyzing the situation into its factors, significant and non-significant. Thus, a slump in sales in a given territory may conceivably be due to any of a considerable number of factors, and a large part of the task of relieving this particular difficulty consists in analyzing the situation into its factors, geographical, financial, personal, social, political, etc., and determining which

are significant and to what extent. Only then can one look for an adequate solution to suggest itself. The problem may, on analysis, define itself as essentially a problem of (*a*) putting in more efficient salesmen; (*b*) meeting prices or terms of a local competitor; (*c*) improving transportation or delivery conditions; (*d*) counteracting harmful propaganda; (*e*) making connections with new dealers; (*f*) stimulating present dealers to greater efforts—or something else. One or another of these, in turn, may call for still further definition.

It will be evident that only one who has a thorough familiarity with the subject-matter to which the problem relates can tell at a glance which factors are significant and which are not. We cannot insist too strongly that no efficient thinking about any problem can be done without a *knowledge of the facts* in the case. Contrary to a notion that is still altogether too popular, reasoning is no empty, formal, logical gymnastic, in which one can exercise himself into expertness without regard to the peculiar nature of the materials involved. No matter how good a thinker a man may be in his own field, he can never carry over 100 per cent thinking efficiency to a field in which he is not at home. True, his previous training in thinking may be of assistance to him in acquiring familiarity with a new body of material, in mastering the strange viewpoints, terms, principles, and technique; but only actual mastery of the raw materials can make possible good judgment about any sort of problem. We see daily illustrations of foolish and incompetent judgments uttered by men who are experts in their own lines, but whose opinions, when they venture into territory filled with unfamiliar facts, principles, and technique, are not only valueless but indeed socially injurious, simply because their susceptible readers fail to make this fundamental distinction.

During this analytic stage a sifting process has been going on. A host of irrelevant details, offering no promise of help, have quietly dropped out of sight. Simultaneously, certain others have proved suggestive, pointing out hopeful lines of inquiry, and rising to positions of central importance in dominating thought and determining the direction it shall

take. So we reach the third stage, that of suggestions of solutions.

3. *Suggestion of solutions.*—Suggestion or association is a fundamental psychological principle, basic in all habit and memory. We recall a thing only when an associate, sensory or ideational, is at hand to suggest it; in the absence of such stimulus we are helpless. We can, however, actively aid the recall process by assembling before us all available stimuli, in the hope that one or another will have retained a sufficiently strong connection to suggest the thing we are seeking. Now an analysis of any problem does just this; it brings out and impresses on us certain vitally significant facts to which we must look to suggest the way out. These serve to set limits to the range of “trials and accidental successes” which play so central a rôle in all problem-solving, whether on motor or ideational levels. If we have had previous experiences of the particular type to which our problem belongs, such associations will naturally have been established, and suggestion will occur actively.

Here again is evident the vital necessity of a background of knowledge. The business man confronted with a problem of a sort entirely foreign to his previous experience feels helpless, because absence of associations gives him no clue to the way out. Mistakes of judgment are often directly traceable to inadequate knowledge and consequent insufficiency of possible suggestions, or to inadequate appreciation of the implications of such suggestions as do arise. Probably the most common of all logical fallacies is overhasty generalization. A single experience, or a striking occurrence, is elevated to the dignity of a general truth and applied indiscriminately to all sorts of situations, usually with disastrous results. Business men fail more often from incapacity than for any other reason, and incapacity usually means ignorance of things one should know about his own business. On the other hand, the leader in the financial and industrial world is not infrequently a man of remarkably wide information concerning matters psychological, social, political, geographical, historical, and scientific, which to his smaller-minded contemporaries seem irrelevant and useless. Neverthe-

less, it is just this rich background that suggests to him the probable effects upon general business conditions, and hence upon his own affairs, of influences apparently remote, and yet real, and thus enables him to prepare for future contingencies. Those business men who were hit hardest by the post-war depression were, in many cases, those who a few years before knew only that the way to greater profits was by buying larger stocks on rising markets, but who did not have that larger knowledge of social and economic conditions, past and present, which would have warned them of what must inevitably follow.

Let us recall once more that familiarity and practice make for short cuts in this associative process, so that as soon as the problem appears, a course of action may suggest itself, even though we do not stop to trace the path—or perhaps not even be able to do so if we try—which logically leads from the one to the other. The series, “A-B-C-D-E,” built up in the past, becomes condensed and short-circuited into the direct association, “A-E.” This facility in practical judgment is a priceless asset to the executive; such judgments constitute a large part of his everyday thinking. But behind his quick and certain judgments, which evoke our admiration, we may be sure there lies a history of years of faithful, often tedious, accumulation of intellectual capital and rigid discipline in its use.

Akin to these practical judgments are those uncritical and unanalyzed impulses which we call “hunches” or “intuitions,” and which play a disproportionately large part in some people’s decisions. Such judgments differ from the kind we have been describing not in their essential elements, but simply in the greater obscurity of the specific factors, both in the objective situation and in the individual’s personal history, which stimulate the suggestions and determine the decision, and hence in the relatively greater part played by feeling and impulse. Sometimes, it is true, a man’s feelings and impulses have been unwittingly trained by long experience, so that his “hunches” are better than mere lucky guesses, even though he be incapable of making the self-analysis that would bring their historical origins to light. But let us not overlook the fact of our prone-

ness to remember and overstress our fortunate guesses, and to forget our mistakes, and so to develop a superstitious reverence for our "intuitions." In spite of their occasional inevitability, it is unsafe to form the habit of substituting such impulses for critical judgments, if we can possibly find any basis for critical judgments.

If the operations thus far described—discriminative analysis of the problem, and associative suggestion of solutions—have sufficed to overcome all inhibitions to action and induce that attitude of readiness to act which we call belief, decision and action follow automatically. If not, we proceed to seek for further evidence of the relative practicability of our hypotheses. This constitutes the fourth stage of our schema—the elaboration and evaluation of the suggestions; and this is what distinguishes critical reasoning and sound judgment from uncritical opinion, impulse, or fancy.

4. *Elaboration and evaluation of solutions.*—By *elaboration* is meant the consideration of such consequences, positive or negative, agreeable or disagreeable, as may be expected to follow from this or that course of action. This again involves associative suggestion, and efficiency in doing it depends directly on whether or not the individual has sufficient acquaintance with the facts in question to know what their consequences may reasonably be expected to be. Some of this knowledge comes from study or reading; some of it comes from first-hand or second-hand experiences with people and things. To a large extent, the implications which one who makes business judgments must consider are social, involving an understanding of how people act, individually or collectively. When we consider extending credit to a man we want to know about his past career, his present habits, his future purposes, in order to be able to predict the probable outcome of our venture. When we consider investing, or enlarging our business, we are anxious to know how "conditions" will be in a year or two years or five years, which means simply that we want to know what the mass of buyers, sellers, investors, and workers are likely to be doing

by that time. If we guess badly, we may suffer for it. So we want to *know*, not merely to guess.

By *evaluation* is meant considering the desirability or undesirability of the one or the other course of action and its consequences. Ideas and impulses are usually "toned" either agreeably or disagreeably; certain prospects attract us, others repel; some we desire, others we dread or dislike. These feeling-tones are of central importance in determining the outcome of thought activities, since those processes which arouse aversion or disapproval reactions tend to be dismissed from attention, while those which evoke attitudes of approval are entertained, become dominant, and in the normal course of things lead to action. Most of us stand in imminent danger of permitting, to a degree we do not realize, our feelings to dominate attention and determine action, to the detriment of more intelligent considerations. Hence, the vital importance of maintaining a critical attitude—what is often called an attitude of suspended judgment—until the evidence is all in and weighed. What we call "poor judgment" means in many cases simply inability to hold off under the urgency of some special impulse or craving. Conversely, good judgment involves the habit of withstanding strong desires and aversions until one is ready to make his decision in terms of remote as well as immediate considerations. No one of us is entirely free from this danger. Often the desires are basically instinctive; sometimes, so obscure or so antisocial that we do not let ourselves recognize them for what they are, in which case, far from ceasing to influence us, they indeed deceive us the more. Every psychologist recognizes the universal human tendency to act under the urgency of some special desire, recognized or unrecognized—perhaps an unadmitted craving for prestige, or revenge, or self-gratification of some sort—and *afterward* to hunt up reasons to make the action appear reasonable to one's self or others. This "rationalization" or "post-rationalization" is, in fact, a most irrational procedure.

Sometimes the critical evaluation of the proposed solution still fails to settle the question conclusively, and some sort of

testing-out of the hypothetical conclusion is called for. We may test hypotheses in various ways. We may try out our plan experimentally on a limited scale to ascertain whether it will work as we expect. Or we may try it out on the "reflective level," by testing it against other accepted general principles, or with the testimony of competent authorities, books or persons, on similar or related problems; or we may submit our data, methods, and conclusions to competent critics to discover possible omissions or errors. One of the marks of the wise business man is his judicious choice of counselors.

5. *Action*.—After the problem has been defined, suggestions for its solution reached, elaborated, and evaluated, one of two things happens. If the process has been unsuccessful, it is repeated and new analyses and solutions attempted. If it has been successful and the attitude of belief has been induced, the final stage, that of *action*, takes place. The consummatory act need not, of course, follow immediately. The direct outcome of a reasoned business decision may be a more or less explicitly formulated program for future action. If the decision covers a whole class of anticipated situations, we call it the formulation of a policy. The realization of these conditions then automatically brings the act which consummates the process; the crucial point was reached and passed when the act of decision was accomplished.

IV

That the school or teacher of business, or the individual himself, can do very definite things to facilitate thinking at one or another of these stages should already be quite clear. We may, however, point out somewhat more explicitly certain possibilities.

1. *Problem approach*.—The case-method, to which reference has been made, has fixed itself firmly in legal education, and is increasing in favor and use in other educational fields, including that of business administration. Not only does this approach to the study of business provide the student with actual problems to focalize his thinking, enlist his interest, and stimulate his activity, but it affords him invaluable practice in the analysis

of actual business situations into their component factors. Whether the outcome of a student's analyses and inferences be good or bad—and often enough it will be bad—the practice in picking out, relating, and comparing the various factors involved in actual business situations, and in learning to ignore the mass of irrelevant and confusing attendant detail, just as the executive must do, is of primary importance, for only through such actual doing can one ever learn to do.

2. *“Background” courses.*—What has been said about the indispensability of a rich background of ideas, for stimulating the business man's fertility of suggestion, for enabling him to trace their implications, and for aiding in the organizing, interpreting, and evaluating of his other experiences, has its obvious bearings on questions of curriculum. That school of business is indeed remiss or short-sighted which fails to emphasize the importance of “background” courses in the business executive's training. To comprehend the influences that move men, individually or in the mass, calls for training not merely in orthodox economic theory, but also in psychology, sociology, history, and political science. To be able to initiate profitable suggestions, make sound decisions, or evaluate correctly technical proposals, whether concerning plant location, manufacturing, personnel, or marketing, calls for training in almost every phase of the natural sciences. The difficult problem is not to find useful background courses, but to discriminate between those that are merely valuable and those that are indispensable.

But neither college courses nor the business office can teach all one ought to know. There is no substitute for actual contacts with men and things as a means of understanding and therefore controlling them. There are definite things everyone can do, be he student, clerk, or executive, to increase his fertility of suggestion. Instead of following the daily routine of habit, he may try deliberately going out of his way to enrich his experiences; he may perhaps take a different car line or traverse new streets; go to a different lunch room; read new books and magazines about his own line of business or about any other

human enterprise; he may visit museums, libraries, theaters, public gatherings, factories, and stores, meet new people, preferably of different social station or occupation from his own, talk with them and let them talk about their interests, and thus get new and suggestive viewpoints. The school of business does well to seek to enrich the students' experience by every practicable extra-curricular means.

3. *Aids to suggestion.*—The business world has worked out numerous aids to analysis whose use the business students should learn. Courses in mathematics, accounting, and statistical methods have this as their primary function. Such devices as tack-maps, sales or organization charts, diagrams, photographs, sketches, or other graphic or pictorial devices, statistical tabulations and analyses, reports and statements, outlines and summaries—all these aid the executive in focusing his attention more vividly on significant tendencies and factors and in placing them in their proper relations. Training in getting and keeping one's data in such form as to stimulate suggestions and facilitate their evaluation should be one of the things provided for, not only in planning the curriculum, but in the organization and presentation of every course.

4. *Sources of data.*—The business world has also its varied sources of information, acquaintance with which is indispensable, not only to the man who wants to understand general business conditions, but also to him who wishes to master his own little field in its wider and deeper relationships. The importance for the solution of business problems of knowing where to find and how to use such sources as reference books, business and trade journals, financial columns and market reports, statistical services and government publications, and the innumerable other sources of business information, needs no emphasis.

5. *Basic generalizations.*—Nor need we elaborate on the significance of mastering the fundamental generalizations of business as an aid to the cultivation of business judgment. The body of principles and practices, of terms and methods, in manufacturing, finance, marketing, and every other phase of

business activity, constitute the very raw materials out of which all judgments are forged.

6. *Critical attitude*.—What has been said about the ever-imminent dangers of hasty generalization, of undue susceptibility to emotional bias, of the urge of impulse and prejudice, of post-rationalization of motives, and like enemies of logical thinking, means simply that a critical attitude is no less essential for sound business judgment than for sound scientific judgment. To cultivate this attitude in the student is one of the most important functions of the instructor. Through constant criticism and questioning, it is his task to train the student to withhold judgment, pending the definition of the difficulty; to resist the tendency to follow impulsively false leads which obscure the issue and waste energy; to be impartial, objective, and precise in his estimates of men, measures, and things; to know when he knows and to know when he does not know.

To develop good business judgment, then, is not a hopeless undertaking. Indeed, assuming reasonably good quality of brain stuff, good judgment is acquired by a student in no other way than through training—that is, through practice in discovering problems to think about, in getting, reflecting on, and working over the indispensable capital of knowledge, in analyzing problems and sifting facts, in organizing data and keeping them organized to facilitate suggestions, in guarding against too hasty generalizations or emotional bias, in maintaining an attitude of suspended judgment, in critically verifying hypothetical conclusions. And to train him in doing these things is a primary function of the school of business.

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